

SUBCOMMITTEE NO. 4

Agenda

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Agenda

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Room 3191

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State Administration—General Government—Judiciary—Transportation

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0690 Office of Emergency Services

The primary purpose of the Office of Emergency Services (OES) is the coordination of emergency activities to save lives and reduce property losses during disasters, and to expedite recovery from the effects of disasters. During an emergency, the OES functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes. It also acts as the conduit for federal assistance through natural disaster grants and federal agency support. Additionally, the Office of Homeland Security (OHS) develops, maintains, and implements a statewide comprehensive homeland security strategy to prevent terrorist attacks within the state, reduce the state's vulnerability to terrorism, minimize damage from attacks that may occur, and facilitate the recovery effort. The OHS also serves as the state administering agency for federal homeland security grants and the state's primary liaison with the U.S. Department of Homeland Security.

Proposed for Vote Only/Consent

Mitigation Grant Increase (SFL #4). The OES requests 7 permanent positions, as well as \$786,000 Federal Trust Fund authority in 2008-09 and \$772,000 in 2009-10, to offset the increased workload related to new grants. California was approved as an Enhanced Plan State in November 2007, and that designation brought increased federal funding and increased reporting workload.

OES Open Issues/Proposed for Discussion

1. Emergency Management Performance Grant (EMPG) Increases

This item was held open, pending reconciliation of all EMPG-related requests and determination of priorities.

The 2008 federal EMPG grant to California is \$23,055,000, which represents a \$7.7 million increase over the 2007 baseline grant amount of \$15,390,351. The OES has submitted the following requests:

State Operations Increase (BCP #26). The OES requests \$3,353,000 in Federal Trust Fund authority for state operations, and will use existing resources for the required EMPG match.

Staff Recommendation: Approve as budgeted.

EMPG Grant Increase – State Operations and Local Assistance (SFL #2). California's federal EMPG Grant has been increased, both in a one-time supplement of \$4 million and an ongoing baseline increase of \$7.7 million. The OES requests that the \$4 million one-time augmentation fund 8 specific emergency preparedness and response projects, including the development of various emergency response coordination protocols.

For 2008-09, the OES requests \$665,000 be used for state operations and a \$2 million Federal Trust Fund Authority for one-time local assistance. The \$2.7 million EMPG baseline increase will be ongoing. In 2009-10, the OES requests the \$2.7 million increase in Federal Trust Fund Authority entirely for state operations. The OES will use an in-kind match for 2008-09 state operations.

Staff Comments: The \$2 million one-time local assistance will receive a local match. It is unclear whether the OES will be able to match the \$2.7 million in state operations that it requests for 2009-10, and no specific plan has been proposed for its use.

Staff Recommendation: Approve the \$3,967,000 EMPG supplemental funding for 2007, for use in the proposed projects. Approve the request for \$2.7 million EMPG funds for 2008-09. Deny the request for \$2.7 million in 2009-10; however, allow for the re-submittal of a specific plan during next year's budget deliberations.

Regional Operational Readiness (BCP #1). The OES requests \$3,294,000 (\$1,647,000 General Fund and \$1,647,000 EMPG) and 19 positions to increase readiness at the three regional offices. These offices provide administrative oversight and coordination of mutual aid, as well as direct service delivery in the areas of emergency preparedness, response, recovery, and mitigation efforts.

The proposed positions will be assigned to the three regional offices to increase effectiveness in emergency response and management.

Staff Comments: The OES is trying to plan for the possibility of multiple catastrophic events occurring simultaneously, rather than addressing an identified deficiency in services. The OES has also stated that these specific positions must be matched with General Fund because it was unable to find existing resources or positions that would qualify as a match to this grant. However, due to the budget situation, and limited available GF, it may be prudent to allow the funds to be used for local assistance projects. This will maintain state operations at current-year levels.

Staff Recommendation: Deny the request for \$1,647,000 General Fund. Approve the \$1,647,000 in federal EMPG funding to be used for one-time local assistance, along with the \$2 million requested for that purpose in BCP #26.

2. Public Safety Interoperable Communications (PSIC) Grant Program

The OES has been awarded federal funding through the new PSIC grant, which provides one-time funding to enhance interoperable communications with respect to voice, data and/or video signals.

Operational Area Satellite Information System (OASIS) (BCP #3). The OES initially requested \$2 million General Fund to increase OASIS bandwidth. OASIS is the satellite system that provides redundant voice communications in the event the Public Switch Telephony Network fails (due to a manmade or natural disaster). This funding would extend the lease on its current bandwidth, and expand the bandwidth to nearly 5 times its current size.

The new PSIC grant would qualify to offset 80% of the expense of this project; the grant requires a 20% state match.

Staff Comments: It does not appear that the current bandwidth capacity of OASIS has created any major operational impediments in response efforts to date, and it is not clear whether potential deficiencies would exist due to technology. However, the criticality of this communication system merits investment in its continued and enhanced functionality.

The constraints of the PSIC funding cause it to be limited to enhancements, rather than baseline replacement. By increasing the OASIS bandwidth by half the requested amount in 2008-09, and half in 2009-10, the General Fund exposure would be further minimized by spreading the GF match over two years.

Staff Recommendation: Approve the use of PSIC funding for the purchase of requested OASIS bandwidth over two years. Approve a 20% General Fund match for the program: \$418,000 spread over 2008-09 and 2009-10. This results in a GF savings of \$1.6 million in 2008-09 and \$1.9 million in 2009-10, as compared to the original proposal.

Critical Communications – Equipment Replacement (BCP #5). The OES initially requested \$3 million General Fund to replace failing or obsolete telecommunications equipment used to respond to, and coordinate in, emergencies.

Specifically, the proposal provided for the following equipment replacement:

BCP #5: Critical Communications
Age of Radios by Category of Replacement

Type	Total	Replace	Calendar Year Radios/Equipment Originally Purchased													
			1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Radio Cache															
CLERS (VHF/UHF)	22	22		22												
Firenet (VHF)	22	22														22
Firemarrs (800 MHz)	31	31		31												
CLEMARS (VHF Lo/VHF/UHF and 800 MHz)	20	20		20												
Handheld radios (UHF and 800 MHz)	424	350	350													
Mobile Radios (UHF and 800 MHz)	104	40	40													
Total	623	485	390	73												22

All equipment identified for replacement is more than 5 years old and according to industry standard should be replaced. The replacement equipment will meet Federal Communication Commission requirements and be compliant with Project 25, the federal equipment and narrowband standards with which all such equipment must comply by 2013.

Staff Comments: The PSIC grant can be used to off-set \$2.2 million of this General Fund request for equipment replacement. OES requests \$546,000 GF for the match requirement, and \$300,000 toward ongoing maintenance of equipment, which is not covered by PSIC. The necessity of \$300,000 GF for ongoing maintenance in 2008-09 is unclear.

Staff Recommendation: Approve the request for \$2.2 million PSIC funding for communications equipment replacement, and \$546,000 GF for the required grant match. Deny the request for \$300,000 in ongoing equipment maintenance.

- 3. California Multi-jurisdictional Methamphetamine Enforcement Teams (Cal-MMET) (BCP #15).** The OES requests \$20.1 million ongoing General Fund to permanently continue the Cal-MMET Program. Originally funded with \$9.5 million, to serve 6 high-need counties in 2001, this program was expanded to its current scope of 41 counties in 2005-06 on a two-year, limited-term basis.

Cal-MMET funds local anti-drug task forces to combat methamphetamine production and distribution, with specific strategies determined by local sheriffs' departments. Funding has been used to provide search warrant assistance, undercover agents, expert testimony, community training, etc.

LAO Recommendation: Do not extend the \$20.1 million increase, and reduce the base funding (\$9.5 million) by 25%. The LAO also recommends making the grants *competitive*. The LAO raised concerns about the lack of a comprehensive evaluation and the effectiveness of the program, and considers Cal-MMET Program to be duplicate funding to that permanently appropriated to the Department of Justice's CALMS for the same purpose.

Staff Comments: A final report on the success of the program expansion will not be submitted to the Legislature until October 2008, and the preliminary report lacked substance and quantifiable benchmarks. Other issues to consider include:

- The comparison data of 2005-06 (before the expansion) and 2006-07 is not sufficiently disaggregated to be meaningful.
- The comparison data is incomplete. According to the OES staff, the numbers reported are a reflection of the number of arrests and seizures they attribute to the extra funding, which is utilized differently in each county and not easily separated out from other law enforcement money. Additionally, without a county-by-county comparison, it is unclear if certain counties or methamphetamine combat strategies have been more effective than others.
- This program has the same purpose as, and employs similar strategies to, the CALMS program. The difference is that CALMS uses state employed agents and law enforcement to staff task forces, instead of funding locals to create their own. The October report will be an evaluation of both programs.

Staff Recommendation: Deny the request to continue \$20.1 million GF on a permanent basis. Continue base funding of \$9.5 million, in competitive grants per the LAO recommendation. The LAO should draft appropriate bill language for making grant process competitive.

4. **Mutual Aid Backfill (Program 15)**

The Budget-Balancing Reduction (BBR) for Program 15 Mutual Aid in 2008-09 was \$1.9 million for the Fire and Rescue, and Information Technology/Operations Support branches. The on-paper reduction was proposed by the Administration to be back-filled by the "Insurance Fund." The source of funding was predicated on the Department of Insurance imposing on insurers an annual assessment of 1.25 percent of the premium for each commercial and residential multi-peril insurance policy.

On January 29, the Full Committee heard this issue and raised numerous concerns with the viability of the funding proposal. In addition, the Department of Insurance in a letter to the Chair of the Full Committee cited constitutional, implementation, and mandatory sharing of non-individual risks issues with the funding proposal. The Insurance Fund was never created, leaving a \$1.9 million reduction to Mutual Aid.

On April 21, the Subcommittee rejected a related Wildland Firefighting proposal (BCP #11) due to the instability of the proposed funding source.

Staff Comments: The \$1.9 million Mutual Aid reduction is a reduction to the program's 2007-08 baseline funding for responding to disasters. Backfilling this funding would keep the program whole, to 2007-08 levels. Mutual Aid costs are not eligible to be funded from the EMPG.

Staff Recommendation: Approve \$1,890,000 General Fund to backfill the Program 15 Mutual Aid BBR.

8880 Financial Information System for California (Fi\$Cal)

The Financial Information System for California (Fi\$Cal), is a "Next Generation" information technology (IT) project. The purpose of this project is to create and implement a new statewide financial system which will encompass the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, and human resources management.

Fi\$Cal will be a single Enterprise Resource Planning (ERP) system, a set of software applications that will streamline the aforementioned business processes. Aging legacy systems, inefficient "shadow" systems, and duplicate processes have been identified throughout the state's departments and agencies, and Fi\$Cal is the multi-agency project proposed to solve these system failures. Fi\$Cal will be rolled out in 5 "Waves", over a multi-year period, to more than 100 departments and agencies.

The Fi\$Cal project was proposed during the 2007-08 budget process as an entirely General Fund project. However, due to a number of factors including General Fund expense, the Legislature requested more information on alternative funding scenarios, vendor accountability, and formalization of control agency roles.

Governor's Budget Proposal

The 2008-09 Budget proposed to proceed with statewide implementation of Fi\$Cal over 8 years, with a total cost of \$1.6 billion paid over 10 years. Proposed funding is \$40.1 million (\$2.4 million General Fund, and \$37.7 million special funds) for 98 positions.

The funding beyond 2008-09 for this multi-year project would come from a combination of Bond Anticipation Notes (BANs) and Certificates of Participation (COPs). Issuing BANS, which are short term bonds collecting capitalized interest, would fully fund Fi\$Cal through 2011-2012. In 2012, state departments and agencies benefiting from Fi\$Cal would begin to "purchase" COPs out of their appropriated budgets, effectively beginning to pay for the use of Fi\$Cal (paying off the BANs and funding ongoing costs). Every

state department/agency will purchase some amount of COPs that support the initial system development, and departments that will transition to the new system in “Wave 1” will pay an additional share.

Allocations to project costs will be determined annually, based on total departmental expenditures. At the end of each year, actual departmental use will be determined and allocations accordingly re-determined.

LAO Alternative

The LAO concluded that the benefits of proceeding with Fi\$Cal outweigh the benefits of canceling the program altogether, but identified it as a “close call.” The LAO offered an alternative providing for greater legislative review, lower initial costs, and less reliance on borrowing. Key components in the LAO’s recommendation include:

- ✓ **Adjust the Schedule.** In order to facilitate legislative review and oversight, the project schedule should be adjusted so that the report on the status of Wave 1 implementation would be presented to the Legislature no later than March 1 after implementation.
- ✓ **Pause for Legislative Approval.** Rather than the 30-day review period provided in the administration’s plan, the Legislature decides whether to proceed with full implementation during the regular budget process or through separate legislation. The project would not proceed with activities to prepare additional departments for system installation until the Legislature has reviewed the report and decided to continue the project. The advantage of this approach is twofold, (1) the Legislature has time to conduct a full inquiry about the project status and, (2) departments that will be implemented in the second phase of the project are not spending project implementation funds until the Legislature has approved the project to continue.

This approach adds a year to the total project schedule because subsequent departments would not begin their one-year preparation until after the Legislature’s review. LAO’s estimate is that over the ten-year schedule, this will increase project cost by approximately \$67 million, (about \$20 million in 2008-09 dollars).

- ✓ **Limit Borrowing During the Initial Phase of Development.**
- ✓ **Expenditure of Bond Proceeds Subject to Appropriation.** In order to increase legislative oversight of funding, we recommend requiring the administration to obtain annual budget act authority to expend bond proceeds.

Staff Comments: On April 21, the Subcommittee heard this issue and held it open pending reconciliation of the LAO alternative with DOF concerns. Namely, a resolution of what the initial borrowing limit should be, and the final Trailer Bill Language surrounding the expenditure of bond proceeds.

The LAO and DOF agreed to limit initial borrowing to \$277 million, which will fund the first three years of the Fi\$Cal project. The LAO and DOF are finalizing Trailer Bill Language relevant to this change and to legislative oversight of bond expenditures.

Staff Recommendation: Approve the LAO alternative, with a revised initial borrowing limit of \$277 million.